

EXHIBIT 1

INTRODUCTION

Respondent Martha M. Escutia served as a member of the California State Assembly from 1992 to 1998 and the California State Senate from 1998 to 2006. Respondent's former spouse, Leo Briones, is a political and public affairs strategist, and during the relevant time period to this matter, was the sole owner of LVB Centaur North, Inc., dba Centaur North Strategic Communications ("Centaur North"), a communications firm specializing in political consulting. This case relates to Respondent's failure to disclose sources of income on her 2002 and 2003 Statements of Economic Interests ("SEIs").

For the purposes of this Stipulation, Respondent's violations of the Political Reform Act (the "Act")¹ are stated as follows:

COUNT 1: On February 27, 2003, Respondent Escutia failed to disclose certain clients of her husband's political consulting firm, LVB Centaur North, Inc., dba Centaur North Strategic Communications, as sources of income on her 2002 annual Statement of Economic Interests, in violation of Government Code sections 87203 and 87207.

COUNT 2: On March 1, 2004, Respondent Escutia failed to disclose certain clients of her husband's political consulting firm, LVB Centaur North, Inc., dba Centaur North Strategic Communications, as sources of income on her 2003 annual Statement of Economic Interests, in violation of Government Code sections 87203 and 87207.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (c), is to ensure that assets and income of public officials, which may be materially affected by their official actions, should be disclosed in order that conflicts of interest may be avoided.

Section 87200 specifies that "elected state officers" are among those public officials required to file an SEI each year. Under the Act, an "elected state officer" includes a Member of the Legislature. (Sections 82021, 82024.) Each year at a time specified by Commission regulations, every public official holding an office specified in Section 87200 must file an SEI disclosing her investments, her interests in real property and her income during the period since the previous SEI was filed. (Section 87203.) Section 82030 defines "income" to include any community property interest in the income of a spouse as well as the pro-rata share of any income of any business entity in which the spouse owns a 10 % or greater interest.

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

Pursuant to Section 87207, subdivision (b)(1), when a filer's pro rata share of income to a business entity is required to be reported, the statement shall contain the name, address, and a general description of the business activity of the business entity. Pursuant to Section 87207, subdivision (b)(2), the statement shall contain the name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from that person was equal to or greater than \$10,000 during a calendar year. A filer must disclose each source of income to the business entity if the filer's pro-rata share of the spouse's gross income from a single source was \$10,000 or more during the reporting period. When a spouse is the sole owner of a business entity, a filer's community property interest in a spouse's share of income to the business entity must be disclosed when the spouse's pro-rata share of the gross income to the business entity from a single source was \$20,000 or more during the reporting period.

SUMMARY OF THE FACTS

This matter arose out of a July 8, 2004 article in the Los Angeles Times which alleged, among other things, that Respondent Escutia had failed to properly report sources of income to Centaur North on her SEIs.

As a member of the California State Senate, Respondent Escutia was required by Section 87203 to file annually an SEI disclosing her investments, interests in real property, and income. Under Section 87207, subdivision (b), Respondent Escutia was required to itemize, on her annual SEI, each source of income to her husband's firm, Centaur North, where her community property share (50%) of that income was \$10,000 or more during the year. In other words, Respondent Escutia was required to report the names of sources of \$20,000 or more in gross income received by Centaur North during the year.

On February 27, 2003 and March 1, 2004, Respondent Escutia filed SEIs for the years 2002 and 2003, respectively. On both statements, Respondent Escutia disclosed that Centaur North received combined income of over \$100,000 and reported some of the names of clients who paid \$20,000 or more to Centaur North in 2002 and 2003. However, Respondent Escutia did not disclose the names of all clients who paid \$20,000 or more to Centaur North in 2002 and 2003. On March 1, 2005, Respondent Escutia voluntarily amended her 2002 and 2003 SEIs to disclose the names of all such clients.

2002 SEI

Respondent Escutia failed to disclose the following eleven clients who provided Centaur North with \$20,000 or more in gross income in 2002 on her original 2002 SEI:

- (1) Committee for Working Families, Sponsored by the California Labor Federation, AFL-CIO (ID#980228);
- (2) Arizonans for Fair Gaming & Indian Self-Reliance;
- (3) Yes on 50. Coalition of Conservationists, Business, Water & Engineering Cos., Owners of Open Space (ID#1245318);
- (4) Nell Soto for Senate 2002 (ID#1223120);
- (5) Alex Padilla;

- (6) Eddie Vincent;
- (7) Metropolitan Water District of Southern California;
- (8) Escutia for the State Senate (ID#962749);
- (9) Los Angeles County Council on Political Education (ID#742204);
- (10) Voter Improvement Program Ballot Measures Committee (ID#981025); and
- (11) Organization of LA Workers (ID#1248330).

2003 SEI

Respondent Escutia failed to properly list the following six clients who provided Centaur North with \$20,000 or more in gross income in 2003 on her original 2003 SEI:

- (1) Resources Legacy Foundation;
- (2) Metropolitan Water District of Southern California;
- (3) Alta Med Health Services;
- (4) Cristine Soto for School Board (ID#1251073);
- (5) Diane Watson for Congress; and
- (6) Los Angeles County Federation of Labor.

By failing to disclose clients of her husband's political consulting firm, Centaur North, as sources of income on her original 2002 and 2003 annual SEIs, Respondent Escutia committed two violation of Sections 87203 and 87207.

CONCLUSION

This matter consists of two counts of violating the Act, which carry a maximum administrative penalty of \$5,000 per violation, for a total of \$10,000.

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or absence of any intention to conceal, deceive or mislead; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether the violation was isolated or part of a pattern and whether the violator has a prior record of violations of the Act or similar laws; and whether the Respondent upon learning of the violations voluntarily filed appropriate amendments to provide full disclosure.

Both counts involve the failure to disclose sources of income on SEIs of \$20,000 or more, made to Respondent's husband's business. The typical administrative penalty for this type of violation has varied based on the circumstances of each case.

Failure to disclose sources of income on a SEI is a serious violation of the Act. Respondent Escutia failed to make all of the required disclosures on her 2002 and 2003 SEIs, which deprived the public of knowledge about all of her economic interests. Here, Respondent Escutia failed to correctly itemize several sources of income of \$20,000 or more from clients to her husband's business, Centaur North.

In mitigation, Respondent Escutia has no prior record of violations of the Act. Respondent Escutia has been cooperative throughout the Commission investigation and in response to her contacts with the Enforcement Division promptly amended her 2002 and 2003 SEIs and provided supporting documentation for the amendments. According to Respondent Escutia, she attempted diligence on her original 2002 and 2003 SEIs and, as to the subject violations, relied on the information provided to her by staff at Centaur North. The Enforcement Division has obtained no evidence to suggest that these violations were anything other than inadvertent. Accordingly, based on the particular facts and circumstances of this matter, an administrative penalty of \$1,000 for each count, for a total administrative penalty of \$2,000, is appropriate for these violations.

The facts of this case justify the imposition of the agreed upon administrative penalty of Two Thousand Dollars (\$2,000).

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